



CONNECTICUT
BUSINESS & INDUSTRY
ASSOCIATION

Testimony of Eric W. Gjede
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Before the Committee on Labor and Public Employees
Hartford, CT
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Testifying in support of SB 434 An Act Concerning Unemployment Compensation Calculations

Good afternoon Senator Winfield, Representative Tercyak, Senator Hwang, Representative Rutigliano and members of the Labor and Public Employees Committee. My name is Eric Gjede and I am assistant counsel at the Connecticut Business and Industry Association (CBIA), which represents more than 10,000 large and small companies throughout the state of Connecticut.

CBIA supports SB 434.

To cover unemployment costs stemming from the recession, Connecticut borrowed \$1 billion in federal money—a debt that is solely the obligation of Connecticut businesses, and is not projected to be repaid until 2017.

For each year a state has not repaid its debt, the federal unemployment tax (FUTA) goes up by .3%. That means even businesses that never laid off a single employee during the recession have seen their unemployment taxes go up in the last five years. Connecticut pays the highest FUTA taxes in the nation - more than three times what the vast majority of states pay.

Increasing state unemployment taxes is not an option because it would put us at a further competitive disadvantage with our neighboring states. All of our neighboring states take in a similar amount of unemployment tax revenue as Connecticut, yet every one of these states either borrowed from the federal government later than Connecticut or already repaid their debt. In other words, their unemployment trust funds were in better shape than ours before the recession started.

We need to make the benefit reforms to our unemployment compensation system that other states have made in order to ensure the solvency of the unemployment trust fund.

SB 434 makes the common sense proposal to base benefits on an employee's annual salary, rather than two highest quarters, to avoid unfairly rewarding seasonal workers. Unemployment benefits are based on earnings in the two highest of the last four calendar quarters. This creates inequities, as a seasonal worker making \$30,000 over two quarters has the same benefits as a full-year employee earning \$60,000 a year. This is why sixteen states base unemployment benefits off of a full year's salary.

We strongly support SB 434, and believe any unemployment compensation bill favorably reported from this committee should contain this reform.